

PLANT SPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6112	Motor Vehicle Expense	Regulated	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
		Nonregulated	Not Applicable	Not Applicable	Directly Assignable	The Company has no motor vehicle costs directly assigned to nonregulated
		Common	Not Applicable	Not Applicable	Indirectly Attributable	The Company's motor vehicle costs are directly assigned to regulated
6113	Aircraft Expense	Not Applicable	Not Applicable	Not Applicable	Not Applicable	The Company has no costs in this account
6114	Tools and Other Work Equipment Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

PLANT SPECIFIC OPERATING EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6121	Land and Building Expenses	Regulated	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
		Nonregulated	Not Applicable	Not Applicable	Directly Assignable	The Company has no land and building costs directly assigned to nonregulated
		Operating Rents	Not Applicable	Not Applicable	Directly Attributable	The Company's land and building costs are directly assigned to regulated
		Other Common	Not Applicable	Not Applicable	Directly Attributable	The Company's land and building costs are directly assigned to regulated
6122	Furniture and Artworks Expense	Same As Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

PLANT SPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6123	Office Equipment Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6124	General Purpose Computers Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6211	Nondigital Switching Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	Includes prior Accounts 6211 and 6215.
6212	Digital Electronic Expense	Same As Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

PLANT SPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6220	Operator Systems Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6231	Radio Systems Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6232	Circuit Equipment Expense	Same As Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6311	Station Apparatus Expense	Regulated	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
		Nonregulated	Not Applicable	Not Applicable	Directly Assignable	The Company has no station apparatus expense assigned to nonregulated
		No Access/No Trouble Found	Not Applicable	Not Applicable	Indirectly Attributable	The Company's station apparatus costs are directly assigned to regulated

PLANT SPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6341	Large Private Branch Exchange Expense	Regulated	Not Applicable	Not Applicable	Directly Assignable	The Company has no costs in this account
		Nonregulated	Not Applicable	Not Applicable	Directly Assignable	The Company has no costs in this account
		No Access/No Trouble Found	Not Applicable	Not Applicable	Indirectly Attributable	The Company has no costs in this account
6351	Public Telephone Terminal Equipment Expense	Regulated	Not Applicable	Not Applicable	Directly Assignable	The Company has no costs in this account
		Nonregulated	Not Applicable	Not Applicable	Directly Assignable	The Company has no costs in this account

PLANT SPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6362	Other Terminal Equipment Expense	Regulated	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	This account does not include Other Terminal Equipment Expense associated with Inside Wire as this activity is provided through a structurally separate subsidiary of the Southern New England Telecommunications Corporation
-		Nonregulated	Not Applicable	Not Applicable	Directly Assignable	The Company has no other terminal equipment costs directly assigned to nonregulated

PLANT SPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6362 (continued)	Other Terminal Equipment Expense	No Access/No Trouble Found	Not Applicable	Not Applicable	Directly Attributable	The Company's other terminal equipment costs are directly assigned to regulated as all nonregulated activities have been transferred to a separate subsidiary. The Company does have transactions with an affiliate to provide for the installation of inside wire and customer premises equipment. Costs associated with No Access/No Trouble Found are charged to the affiliate based on the 75% formula as stipulated in AAD 92- 42.

PLANT SPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6411	Poles Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6421	Aerial Cable Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	By special permission from the FCC, the Company records Aerial Wire Expense (Account 6431) in this account
6422	Underground Cable Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6423	Buried Cable Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6424	Submarine and Deep Sea Cable Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	Includes prior Accounts 6424 and 6425.

PLANT SPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6426	Intrabuilding Network Cable Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6431	Aerial Wire Expense	Not Applicable	Not Applicable	Not Applicable	Not Applicable	By special permission from the FCC, the Company records Aerial Wire Expense in Account 6421 Aerial Cable Expense
6441	Conduit Systems Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6511	Property Held for Future Telecom- munications Use Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	The Company has no costs in this account
6512	Provisioning Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6531	Power Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6532	Network Adminis- tration Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6533	Testing Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

PLANT NONSPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6534	Plant Operations Administration Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6535	Engineering Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6540	Access Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6561	Depreciation Expense - Telecommunications Plant in Service	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

PLANT NONSPECIFIC OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6562	Depreciation Expense - Property Held for Future Telecom- munications Use	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	The Company has no costs in this account
6563	Amortization Expense - Tangible	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6564	Amortization Expense - Intangible	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6565	Amortization Expense - Other	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	The Company has no investment in Account 2005, Tele- communications Plant Adjustment

CUSTOMER OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6611	Product Management and Sales	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	Includes prior Accounts 6611 and 6612
6613	Product Advertising	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

COST APPORTIONMENT TABLES

CUSTOMER OPERATIONS EXPENSE

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6621	Call Completion Services	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6622	Number Services	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
6623	Customer Services	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

CORPORATE OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6720	General and Administrative	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	Includes prior Accounts 6711-6728

CORPORATE OPERATIONS EXPENSE

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
6790	Provision for Uncollectible Notes Receivable	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	The Company has no costs in this account

OTHER OPERATING AND INCOME EXPENSES

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
7100	Other Operating Income and Expenses	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	Includes prior Accounts 7110-7160

OPERATING TAXES**COST APPORTIONMENT TABLES**

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPOR TIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
7210	Operating Investment Tax Credits - Net	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
7220	Operating Federal Income Taxes	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
7230	Operating State and Local Income Taxes	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
7240	Operating Other Taxes	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
7250	Provision for Deferred Operating Income Taxes - Net	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	

NONOPERATING INCOME AND EXPENSES

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
7300	Non-Operating Income and Expense	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	Includes prior Accounts 7310-7370

INTEREST AND RELATED ITEMS

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
7500	Interest and Related Items	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	Includes prior Accounts 7510-7540

EXTRAORDINARY ITEMS

COST APPORTIONMENT TABLES

USOA-PART 32 ACCOUNT	ACCOUNT TITLE	COST POOL	COST POOL APPORTIONMENT BASIS	REGULATED/NONREGULATED	COST DEFINITION	COMMENTS
7600	Extraordinary Items	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	The Company has no costs in this account Includes prior Accounts 7610-7640

JURISDICTIONAL DIFFERENCES AND NONREGULATED INCOME

COST APPORTIONMENT TABLES

<u>USOA-PART 32 ACCOUNT</u>	<u>ACCOUNT TITLE</u>	<u>COST POOL</u>	<u>COST POOL APPORTIONMENT BASIS</u>	<u>REGULATED/NONREGULATED</u>	<u>COST DEFINITION</u>	<u>COMMENTS</u>
7910	Income Effect of Jurisdictional Ratemaking Differences - Net	Same as Account	Cost Pool Equals Account	Directly Assigned to Regulated	Directly Assignable	
7990	Nonregulated Net Income	Not Applicable	Not Applicable	Not Applicable	Not Applicable	The Company currently has no Nonregulated Net Income

**VII TIME REPORTING
PROCEDURES**

The Southern New England Telephone Company
Cost Allocation Manual

SECTION VII

TIME REPORTING PROCEDURES

TIME REPORTING PROCEDURES

7.1 OVERVIEW

This Section identifies and describes the Company's time reporting methods and controls. All employees are subject to one of two time reporting methods - Positive Time Reporting or Exception Time Reporting. Exhibit VII-1 displays the time reporting method generally utilized by the major work groups in the Company. It is the Company's policy to report time in increments of fifteen minutes for the purpose of allocating costs to regulated services and nonregulated activities. Employees who use the Company's electronic time reporting system are able to report time in increments of five minutes for cost allocation purposes. These increments represent the aggregate time in any one day spent performing a specific work activity. Positive Time Reporting and Exception Time Reporting utilize the Company's Financial Analysis System Codes (FAS Codes). (See Section I - Introduction for detailed descriptions of FAS Codes.) The Company's time reporting system also provides the capability to charge time and other costs to nonregulated activities through the use of nonregulated Responsibility Codes.

7.2 POSITIVE TIME REPORTING

Description

Due to the wide variety of tasks performed, Positive Time Reporting employees segment their work period into distinct activities or functions. The employee must report 100% of time incurred during a day, recording productive and nonproductive time, in increments of fifteen minutes, using FAS Codes which describe the work activities performed. Employees who use the Company's electronic time reporting system are able to report time in increments of five minutes. FAS Codes charge the associated costs to regulated organizations, nonregulated activities and affiliates. Employees using Positive Time Reporting are generally those who perform functions related to plant-specific operations or data processing.

Processing Flow and Control

Standard time reports are completed by Positive Time Reporting personnel on a daily basis via manual or electronic means. Each of these time reports require supervisory review and sign-off is obtained on timesheets. Additional validation techniques are utilized in the further processing of time within the Company's systems. Examples of such validation techniques include:

- payroll processing edits to identify unacceptable input;
- automatic cross-references to the Employee Master File to ensure that time reports are from valid employees,
- system requirement that labor hours balance to payroll hours before further processing can occur.

These system checks are provided within the payroll and financial systems to support time reporting processes.

7 3 EXCEPTION TIME REPORTING

Description

This time reporting method is used by employees whose work does not typically deviate from an assigned organization and work functions. Each employee is assigned Job Function Codes (JFCs) and a single Responsibility Code (RC) based upon the employee's work activities and reporting organization. (Section 7.4 describes the apportionment basis supporting Exception Time Reporting.) When an employee's work activities temporarily deviate from those responsibilities designated by JFCs and RC, exceptions are reported so as to charge the appropriate RCs and JFCs. Employees using Exception Time Reporting are generally those who perform functions related to operations support, corporate operations or customer services.

Processing Flow and Control

Any exceptions must be reported, in increments of fifteen minutes, on the employee's standard exception timesheet. Support personnel and supervisors of employees who use the Company's electronic time reporting system are able to report exceptions to their time in increments of five minutes. Supervisory review and approval is obtained prior to processing. Additional validation techniques are utilized in the further processing of time within the Company's systems. Examples of such validation techniques include:

- . payroll processing edits to identify unacceptable input;
- . automatic cross-references to the Employee Master File to ensure that time reports are from valid employees;
- . system requirement that labor hours balance to payroll hours before further processing can occur.

These system checks are provided within the payroll and financial systems to support time reporting processes

7 4 APPORTIONMENT BASE SUPPORTING EXCEPTION TIME REPORTING

The assigned apportionment basis designates predetermined proportions of an employee's time to JFCs. This apportionment is performed for employees whose work does not typically deviate from an assigned organization and work functions. JFC assignment is established when an employee is assigned to a new position and is reviewed and updated when an employee is transferred or promoted to a new area. The codes may also be revised due to the addition or deletion of certain work activities within an organization.

7.5 NONPRODUCTIVE TIME

Nonproductive time is defined as paid time not directly devoted to an employee's designated work activities. Nonproductive time includes holidays, vacations, breaks, sick time, non-job-specific training, and non-job-specific meetings. All employees are required to report paid absence and other non-job-specific nonproductive time. Such time is apportioned to regulated and nonregulated cost objectives in proportion to the actual distribution of the employee's productive hours.

7.6 ENFORCEMENT AND MONITORING OF THE TIME REPORTING PROCESS

In addition to the authorization controls reflected in Sections 7.2, 7.3 and 7.4, the Company utilizes additional control procedures including, but not limited to, the following:

- . Written procedures are in place which ensure accurate time reporting. It is the responsibility of the approving supervisor to ensure that a timesheet is submitted on the appropriate daily or weekly basis. The supervisor must also submit a time report for an employee who is out sick, on vacation, at training or unavailable to submit a report for any other reason. All timesheets are checked for accuracy and signed by the supervisor.
- . A handbook of FAS Codes is distributed to and utilized by all management employees to ensure proper charging of time and costs. Updates to reporting codes and procedures are issued on a periodic basis.
- . Approved timesheets are entered into a mechanized time reporting system for additional validation and appropriate data is passed to the payroll and labor distribution systems. Reconciliations are prepared monthly between labor hours paid through the payroll system and labor distribution to USOA-Part 32 accounts.

All original Company timesheets are retained on site for a period of one year for audit purposes and in corporate records for three years

Training is provided as necessary and periodic directives are issued to employees to reinforce the importance of accurate and timely time reporting

- . Weekly, monthly and quarterly reports provide feedback on labor distribution to supervisors.
- . As a normal part of the management process, analyses are performed of estimated versus actual regulated and nonregulated expenditures as well as total charges to nonregulated activities.
- . The Company's time reporting procedures have been periodically audited by internal auditors and are subject to review by independent auditors during the annual financial audit

TIME REPORTING MATRIXEXCEPTION REPORTING

<u>WORK GROUP</u>	<u>POSITIVE REPORTING</u>	<u>ASSIGNED APPORTIONMENT</u>
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EXECUTIVE

X

OPERATIONS

Network Technology/Planning		X
Network Engineering	X	
Capital Budgets and Engineering Administration		X
Switching Operations	X	
Installation and Maintenance	X	
Engineering and Assignment	X	
Special Services	X	
Outside Network Services	X	
Network Facility Services	X	
Network Support Services	X	
Operator Services		X
Network Operations Staff	X	
Supervisory and Support		X